

DATE: March 25, 2025

BILL NO.: Senate Bill 327

TITLE: Affordable Housing Payment In Lieu of Taxes Expansion Act

COMMITTEE: House Ways and Means Committee

Letter of Support

Description of Bill:

Senate Bill 327 authorizes owners of residential rental property and governing bodies of counties to enter into a payment in lieu of taxes (PILOT) agreement if the owner maintains at least 25% of the rental units on the property as affordable dwelling units for at least 15 years.

Background and Analysis:

Payment in lieu of taxes (PILOT) agreements are designed to encourage the production and maintenance of affordable housing by waiving property tax payment in exchange for an agreed-upon payment amount and a commitment to provide affordable housing units on the property for some period of time.

Existing Maryland law allows counties to enter into PILOT agreements with housing owners or developers when the property is constructed or rehabilitated under federal, state or local funding, or when rent is subsidized or supplemented under public programs, and the owner or developer agrees to maintain at least a portion of the rental units on the property as affordable to lower income persons for at least 5 years.

Senate Bill 327 expands this authorization to allow PILOT agreements with any owner of residential rental property that maintains at least 25% of the rental units as affordable (defined as units where housing costs do not exceed 30% of the income of a household earning 60% or less of the area media income) for at least 15 years.

Currently, Maryland has a shortage of at least 150,000 affordable housing units. High construction costs mean that affordable units are unlikely to be built without government subsidy or other incentives for developers and owners such as tax abatements. By expanding PILOT authorization, Maryland can encourage more affordable housing development that allows its residents to maintain stable housing in high-opportunity areas that would otherwise be financially out of reach for many working families. Counties entering into PILOT agreements will still receive payment from property owners to offset the cost of infrastructure and services for those properties. In concert with other recent legislation aimed at encouraging more production of affordable housing units, such as 2024's Housing Expansion and Affordability Act, Senate Bill 327 will help more working Maryland families find housing that fits their budgets.

DHCD Position

The Maryland Department of Housing and Community Development respectfully requests a **favorable** report on SB 327.